

MINIMUM INTERNAL CONTROL STANDARDS FREQUENTLY ASKED QUESTIONS (FAQs) (MICS Effective 10/1/03)

Introduction

This document contains answers to questions frequently asked by gaming licensees with regard to the Minimum Internal Control Standards (MICS) and the related written system of internal control. Additionally, at the end of this document are sections for “CPA MICS Compliance Checklists and Guidelines” and “Internal Audit Compliance Checklists and Guidelines” containing answers to questions for these procedures. This document will be periodically updated. The date following each question is the date the question was added to the document. The date in the lower left corner is the date this document was last updated.

Preparation and Submission of a Written System of Internal Control

What exactly should be addressed in the written system? (12/19/03)

The written system of internal control should include the following, as required by Regulation 6.090(2):

- 1. An organizational chart depicting segregation of functions and responsibilities.*
- 2. A description of the duties and responsibilities of each position shown on the organizational chart.*
- 3. A detailed, narrative description of the administrative and accounting procedures in effect that demonstrates compliance with the MICS. As applicable, the detailed, narrative description of procedures include the job titles of personnel involved, the procedures(s) performed by the individual(s), when the procedure is performed, how the procedure is performed, and where the procedure is performed. A written system of internal control that simply reiterates the MICS is not adequate and will be rejected.*

For example Table Games MICS #1 states:

“Prior to the issuance of gaming credit to a patron, the employee issuing the credit:

- a) *Determines whether the credit limit is properly authorized.*
- b) *Determines whether the available credit is sufficient to cover the issuance.*
- c) *Verifies the patron's identity by examining the patron's identification credential (except for patrons that are known)."*

To address this standard, the written system of internal control may state:

"The following procedures are required when a patron requests to be issued credit at a table game:

- a) *The dealer or box person notifies a pit supervisor when a patron requests to be issued credit.*
- b) *The pit supervisor verifies the identity of the patron by examining the patron's identification credential. The identification credentials accepted are the patron's driver's license, passport, nonresident alien identification card, other government issued identification credential or other picture identification credential normally acceptable as a means of identification when cashing checks. This procedure will not be performed when the pit supervisor knows the patron for whom credit is being issued.*
- c) *Upon verifying the patron's identification, the pit supervisor either swipes the patron's club card through a card reader or enters the patron's name or patron's account number into the computerized casino management system to determine if the patron has an authorized credit limit, and what amount of credit is still available.*

Note: If this information is not available in the computerized pit credit system, the cage is called and informed that the patron is requesting to be issued credit. The cage verifies the patron's approved, available credit and enters the patron's credit information into the computerized pit system."

The submitted system must also include a table that cross references each MICS to the page number(s) within the system where the MICS is addressed. This reference provides a method to ensure that internal control procedures have been included for all applicable MICS. Any MICS that is not applicable to the licensee's gaming operation must be so indicated, along with the reason the MICS is not applicable.

Should each section (e.g., slots, table games, etc.) address the applicable “Information Technology” MICS? (12/19/03)

Yes.

Should the written system of internal control only address procedures demonstrating compliance with the MICS? (12/19/03)

No. There very well could be other internal control procedures in effect that may be unique for the gaming operation. The written system of internal control should provide an accurate reflection of internal control procedures in effect for the gaming operation.

How often should amendments to the written system of internal control be submitted? (12/19/03)

Regulation 6.090(10) requires licensees to submit appropriate amendments prior to adding or eliminating a counter game, eliminating all table games, adding a table game at an establishment not offering table games, or adding any associated equipment.

Regulation 6.090(11) requires licensees to annually submit amendments to their internal control system that do not affect compliance with the MICS. In other words, if a control procedure was changed but the changed procedure still complied with the MICS, the related amendment would be made to the written system of internal control. However, this amendment is filed with the annual submission to the Board. If no changes have been made to a system, a written representation that no changes have been made is unnecessary. The Board would assume the written system of internal control remains unchanged if no notification is received.

Should a system be bound prior to submission? (12/19/03)

No. The written system of internal control should be submitted in a loose-leaf format and not placed in a binder. This will facilitate future copying and insertion of subsequent amendments.

FAQ's Applicable to All Sections

Promotional payouts (e.g., Slots MICS #63) - \$1,000 is obtained from the cage, for example, and two persons sign the form for the disbursement from the cage and subsequently give \$200 to five different patrons. Is this acceptable as documentation for the promotional payout? (12/19/03)

No. All payouts as a result of a promotion of \$100 or more require proper documentation as stated in the MICS. The documentation with the required signatures is to be prepared at the point of payment to the patron.

Promotional payouts (e.g., Slots #63c) pertaining to personal property - Are there dollar amount guidelines for the personal property? Do these guidelines also pertain to personal property valued at \$100? (5/9/05)

Yes, it also applies to personal property valued at \$100 or more.

Slots

#2(b) - Can a security guard, guarding the cart (as required by Slots MICS #2c) be the second employee monitoring the drop team? (12/19/03)

Yes, but only if the security guard can see what each drop team member is doing at all times.

#31, #39 – Can count team members record coin drop and currency drop slot machine meter amounts? (5/9/05)

Yes, as long as the count team members do not have access to the previous coin drop and currency drop slot machine meter amounts to calculate the actual coin drop and currency drop amounts. However, count team members cannot record the slot machine drop meters when the slot machine meter provides the actual drop amount without requiring any type of calculation. Additionally, Slots MICS #105 must be complied with.

#37 - Must a minimum of three employees be involved in the count of the wagering instruments removed from the currency acceptor drop box? (12/19/03)

Yes, the currency acceptor count includes both currency and wagering instruments removed from the currency drop box. Wagering instruments are reported as slot drop when reporting drop on the NGC tax return.

#37 - Do promotional coupons in the currency drop box need to be recorded as drop for revenue reporting purposes? (12/19/03)

Promotional coupons (to the extent the coupon represents nontaxable free play) are not recorded as drop for revenue reporting purposes.

#37 and Table Games #88 - What is the minimum number of count team members for simultaneous counts? (5/9/05)

When a currency acceptor count and a table games count are performed simultaneously in the same room, a minimum of six employees (three for each count) are required.

#41 - Can the currency counter be tested once if the currency counter is used for both the slots currency count and the table games currency count? (5/9/05)

Yes, only when the same count team members complete a count for one revenue center (e.g., slots) and then immediately completes a count for a second revenue center (e.g., table games). This question and response also applies to Table Games MICS #93.

#42 - If the first box does not contain all of the various types of currency, what should be done to verify the accuracy of the currency counter? (12/19/03)

A "test bundle", containing all of the various bills that can be counted by the currency counter, can be obtained from the cage or vault prior to each count. The "test bundle" is returned immediately to the cage or vault after performing a test of the currency counter.

#42 Note 1 - Can the currency counter test be completed by using a second separate currency counter even though "Note 1" indicates currency is manually counted and verified? (5/9/05)

Yes, a currency counter, separate from the currency counter being tested, can be used to initially count currency in determining the dollar amount. This procedure meets the intent of the MICS to ensure the accuracy of the currency counter with previously counted currency. This question and response also applies to Table Games MICS #91 Note 1.

#45 - Does the count team member need to record the wagering instruments by box as removed from the currency acceptor drop box or can wagering instruments be commingled with other wagering instruments prior to recording the count? (12/19/03)

Wagering instruments can be commingled with other wagering instruments from different currency acceptor boxes. As the wagering instruments are validated by a count team member through the cashless wagering system in the count room, the cashless wagering system will record the wagering instruments counted by machine number since the system has a record of wagering instruments accepted by each slot machine. The cashless wagering system is confirming that the wagering instrument placed into the currency acceptor box at the slot machine has been received in the count room.

#49(b) - Is compliance with this standard required if the error is corrected prior to generation of the final count document? (12/19/03)

No.

#50 – Can a form with three boxes to check indicating the type of funds being transferred (i.e., currency acceptor, table games or bar) be used? (5/9/05)

No, the MICS is explicit in stating the form is to be used "solely" for currency acceptor count transfers. This form represents drop funds transferred out of the count room prior to the final count process. It is a pertinent count document, which needs to be reviewed by accounting/audit personnel, internal auditors, CPAs and GCB auditors in determining whether slots currency drop has been properly calculated and reported. The form could be completed incorrectly by checking the wrong box or no box is checked.

#59(e) Note - Does this note apply to a fill transaction? (12/19/03)

No, the computerized jackpot/fill system does not always send a reliable fill signal from the slot machine. Due to a hopper jam, the slot machine may send a false fill signal to the computerized jackpot/fill system. This could provide an opportunity for slot personnel to complete a fraudulent fill and misappropriate the funds. Accordingly, two employees must verify and witness the fill transaction.

#59(e) Note - Does this note apply to a cash out of accumulated credits? (12/19/03)

Yes.

#60 - Is it true that any employee listed on the Regulation 3.100 Employee Report qualifies as a "supervisory or management employee" as referred to here and elsewhere throughout the MICS? (12/19/03)

No. An example of this would be an employee that is listed on the report solely because of the salary made by that employee. The employee may not necessarily be in a management or supervisory capacity.

#65 - Does this MICS apply to both manual and computer-generated payout forms? (5/9/05)

No, it only applies to manual payout forms.

#73 - What is meant by the parenthetical phrase "(not to exceed \$500)"? (5/9/05)

A limit is to be established requiring supervisory approval on the payment of wagering instruments when the cashless wagering system is inoperative. The payment limit established for a cashier to redeem a wagering instrument without supervisory approval when the cashless wagering system is inoperative cannot exceed \$500 (e.g., licensee can set policy that all wagering instruments in the amount of \$300 and above requires supervisory approval for redemption).

#75 - With regard to the payment of lost, stolen, or mutilated tickets in excess of \$50 that must be initialed by a supervisor, can the ticket be validated in the system by accounting the next business day? (12/19/03)

No. The supervisor must validate the ticket number at the time payment is made. It may be necessary to examine a slot machine's transaction history to verify the validity of the ticket. All slot machines approved on or after February 1, 2004 will have a 35-event history, by type of event. Some slot machines currently have this capability. So, in this instance, the supervisor could go to the slot machine and examine a record of the last 35 tickets issued. Alternatively, it may be necessary for the supervisor to examine system reports.

#77 - This MICS discusses the removal of wagering instruments and payout receipts from redemption kiosks and a reconciliation of the redemptions to the beginning and ending cash balances (currency and coin) for the redemption kiosk. At what dollar variance should a licensee initiate an investigation into the variance? (5/9/05)

As with any accountability area, any variance could be an indication of potential misappropriation or system malfunction. However, similar to overages and shortages for booth or cage cashiers, the MICS do not require any investigation into variances noted as a result of the reconciliation done for redemption kiosks. However, note that Slots MICS #192 does require accounting/audit personnel to perform a reconciliation of the wagering instruments and payout receipts redeemed at the kiosk to the system generated reports. Slots MICS #200 requires that documentation be maintained evidencing the performance of slot audit procedures performed, exceptions noted and any follow-up of all slot audit exceptions.

#77 - Does this standard also apply to change machines? (5/9/05)

No. However, Cage and Credit MICS #59 does require a reconciliation of change machine funds be performed twice per year.

#77b – Does the coin in the redemption machine need to be physically counted weekly, if a reconciliation can be performed by using the amount

**of coin indicated on a report generated from the redemption machine?
(5/9/05)**

Yes, both the coin and currency in the redemption machine should be physically counted to perform the required reconciliation.

#84 - Define “active wagering instruments”. (12/19/03)

*Active wagering instruments are wagering instruments (paper or electronic) that are created by the licensee to be accepted by the slot machine and cashless wagering system for wagering purposes. This does **not** include the wagering instruments created by the slot machine as the result of a wagering credit cash out (see Slot MICS #165). This term is also used in Cage and Credit MICS #61.*

#87 - Does this MICS apply to the main cage for a smaller gaming operation that does not have separate slot booths or carousels? (5/9/05)

Yes. The main cage would also be functioning as a slot booth or carousel in which the cashiers would be cashing coin for patrons and using this coin to prepare fill bags.

#87a - Does this MICS apply to closed booths, carousels, or other areas? (5/9/05)

Yes, however, only a sample of the closed areas needs to be reviewed to meet the requirements of this MICS.

#87b - When a slot machine needs a fill, does the coin from the previously-prepared fill bag need to be counted again before the fill can be completed? (12/19/03)

All bagged coin created by slot booth and carousel attendants is verified if being used as a slot machine fill. The bagged coin could be verified for amount accuracy then sealed to ensure the bagged coin cannot be accessed until used as a slot machine hopper fill. The objective of the standard is to detect any potential cashier theft and to ensure the correct amount is placed into the slot machine hopper.

#87b - Can a weigh scale be used as a second verification for fill bags going out of the slot booth? (12/19/03)

Yes.

#87b, 87c and 87d - Do these MICS apply to coin redemption machines (e.g., Perconta devices) when coin from these machines is used for fill bags? (5/9/05)

Yes.

#99 - 101 - Do coin-in meters by payable need to be read and recorded for multi-game and multi-game/multi-denomination slot machines? (12/19/03)

No, manual coin-in meter readings by payable are no longer required for multi-game and multi-game/multi-denomination slot machines in order to calculate a weighted average theoretical hold percentage.

An on-line slot metering system (OSMS) approved by the Board pursuant to Regulation 14 Technical Standard 3 will have the capability to read the coin-in meters by payable and the system will calculate the weighted average theoretical hold percentage. When the OSMS is installed, the system will be used to obtain the coin-in meter information by payable and calculate the weighted average theoretical hold percentage. Regulation 6.045 requires certain licensees to install an on-line slot metering system approved by the Board pursuant to Regulation 14 Technical Standard 3 by May 22, 2005.

#99 - 100 - If a licensee is not required to install an OSMS approved by the Board pursuant to Regulation 14 Technical Standard 3, must that licensee continue to take meter readings by game and calculate a weighted average theoretical hold? (12/19/03)

No, it is acceptable to calculate a simple average theoretical hold percent.

#99 - 100 - Do these MICS apply to slot machines or groups of identical machines with differences in theoretical payback percentage exceeding a 4 percent spread between the minimum and maximum theoretical payback? (12/19/03)

No, these standards only apply to multi-game or multi-game/multi-denomination machines. MICS #101 will apply to slot machines that have a difference in theoretical hold percentage which exceeds 4 percent for a single-coin play versus maximum-bet play. MICS #101 will apply at the time the licensee has installed an on-line slot metering system(OSMS) approved by the Board pursuant to Regulation 14 Technical Standard 3.

#99 - 100 - Since the weighted average theoretical hold percentage for multi-game and multi-game/multi-denomination slot machines will not be required to be used in the slot analysis report until an approved Regulation 14 Technical Standard 3 OSMS has been installed, does the theoretical hold percentage need to be changed to the simple average theoretical hold

percentage for all multi-game and multi-game/multi-denomination slot machines? Or, does that calculation only apply to new machines and conversions? (12/19/03)

The theoretical hold percentage for all multi-game and multi-game/multi-denomination slot machines will need to be changed to reflect the simple average theoretical hold percentage. The weighted average theoretical hold percentage can continue to be calculated when coin-in meters by paytable are read (manually or on-line system) and recorded pursuant to MICS #101. However, a MICS variation is required.

#99 - 100 - If only one game in a multi-game machine is activated, should that machine be considered a multi-game slot machine for these MICS? (12/19/03)

Yes, a record for the multi-game machine has already been prepared in the event more than one game is activated for play in the future.

#99 - 100 - If licensees use weighted average at the time compliance with Version 5 is required (January 21, 2004), must licensees change to the simple average? (12/19/03)

Yes, unless a variation of the MICS to use the weighted average is received. Such variations will be routinely granted.

#99 - 100 - Do these MICS apply to slot machines with a 4% spread? (12/19/03)

No. The standards no longer address these types of machines.

#99 - 100 - Can the weighted average be kept in the slot analysis report for machines with a 4% spread? (12/19/03)

Yes. It is likely that the weighted average will fall within the manufacturer's par percentage range. Therefore, the weighted average would be acceptable.

#100 Note 1 - Define "library of paytables". (12/19/03)

A library refers to all of the games available to be activated in a multi-game machine. If an entire library is changed, then a new machine number is required. A change in the mix of games offered for patron play within the same library does not require that a new machine number be established.

#101 - An on-line slot metering system is currently being utilized to read and record the coin-in meters by paytable but does not calculate the

weighted average theoretical hold percentage, does this standard apply in this situation? (12/19/03)

No, this standard applies to licensees that have installed an on-line slot metering system that has been approved by the Board pursuant to Regulation 14 Technical Standard 3.

#107 & 183 - How can these MICS be complied with when the computerized payout receipt system does not produce a system report indicating the actual payout receipts issued and/or the slot machine does not have a voucher out meter? (5/9/05)

Various versions of the computerized payout receipt system are being utilized in which it is possible the version of the system being utilized at your gaming establishment does not meet the requirements of this MICS since the system was approved several years ago. Accordingly, a MICS variation is required to establish compensating procedures to meet the objectives of these MICS.

#110 Note 1(b) - Is accrual drop required to be recorded in the slot analysis report? (12/19/03)

No, the drop activity recorded in the slot analysis report should be the same as the drop activity reported on the NGC tax return. Accordingly, the accrual drop can be recorded in the slot analysis report when reporting the slot accrual drop on the NGC tax return. MICS #187 addresses the procedures performed when reporting on an accrual basis.

#110 Note 2 - Life-to-date data is defined as data that is at least a previous two-year accumulation of information. Is it correct to assume that when the conversion is made to an OSMS that complies with Technical Standard 3 that it is acceptable to transfer only information for the twenty-four most recent months? (12/19/03)

Yes.

#115 - Are separate slot analysis reports required for machines connected and not connected to the on-line slot system? (12/19/03)

No. All machines will be included in the same slot analysis reports. Of course, only machines that are connected to the OSMS will be able to generate the information for the special reports required in Slots MICS #130 – 131.

#115 - 116 - What is expected for the review of the slot analysis report? (12/19/03)

Licensees should investigate year-to-date variances for individual machines and for each denomination total. In some instances it may be necessary to examine the life-to-date variance when a sufficient amount of coin in has not been played.

#116 & 117 - A computerized on-line slot metering system may provide two different types of slot statistical reports. One type of report will indicate the drop amount (currency, coin, and wagering instruments, if applicable) actually counted by the count team, whereas, the other report will indicate the drop amount as recorded by the slot machine meters (coin drop, bill-in and voucher in, if applicable). Which type of slot statistical report is to be reviewed by both slot department management and management employees independent of the slot department on at least a monthly basis? (5/9/05)

The type of slot statistical report reviewed to be in compliance with this standard depends on whether the drop amount reported on the NGC tax return is based on the drop amount actually counted by the count team (cash slot statistical report) or is reported based on the drop amount recorded by the slot machine meter (meter slot statistical report). For example, if the drop amount reported on the NGC tax return is the drop amount actually counted by the count team members, the cash slot statistical report should be reviewed since it reflects the same drop amount as reported on the NGC tax return. The meter slot statistical report can be secondarily reviewed for investigating large variances between the two reports.

#121 - 135 - What is an on-line slot metering system approved by the Board pursuant to Regulation 14 Technical Standard 3? (12/19/03)

The Nevada Gaming Commission adopted Regulation 14 Technical Standard 3 on May 22, 2003. This technical standard provides a framework for the system manufacturers to develop an on-line slot metering system and cashless wagering system that processes data and provides casino operators with appropriate reports. This standard also sets engineering guidelines for the systems that should provide for secure and accurate reporting of transactions. This regulatory framework will provide guidance and consistency to manufacturers and operators alike. Technical Standard 3 will become effective on August 22, 2004. Accordingly, any on-line slot metering system and cashless wagering system submitted to the Board for approval must meet the requirements of Technical Standard 3 on or after August 22, 2004. Earlier compliance with this technical standard is encouraged.

#121 - 135 - How do these standards apply to cashless wagering systems currently being utilized (not approved by the Board pursuant to Regulation 14 Technical Standard 3)? (12/19/03)

These standards apply only when the cashless wagering system has the capability to read and record the meter information it can obtain from the slot machine. For this type of cashless wagering system, compliance with MICS #131(b), 132(a) and 133 is required relating to wagering instruments accepted by the slot machine.

#121 - Are slot machines purchased now required to communicate to the OSMS? (12/19/03)

No, but many machines manufactured today do have the capability of being upgraded to communicate with the OSMS, and all machines approved on or after February 1, 2004 must be able to communicate all required information to an OSMS.

#121 - Can licensees still purchase and install slot machines manufactured prior to February 1, 2004? (12/19/03)

Yes. However, these machines may not have the capability of communicating all of the meter requirements of the OSMS, but this is acceptable.

#121 - If a manufacturer develops an upgrade to a slot machine that was approved before February 1, 2004 that will allow the machine to read all 23 meters, must that upgrade be installed? (12/19/03)

No, but it would be to your benefit to install such an upgrade.

#121 - Must all slot machines be connected, functioning and communicating with the on-line slot metering system approved by the Board pursuant to Regulation 14 Technical 3 on or after May 22, 2005? (12/19/03)

No, only the slot machines that are capable of communicating with the on-line slot metering system. For any slot machine approved prior to 2/1/04 that is not equipped with meters described by Regulation 14 Technical Standards, a minimum of the coin-in, coin drop, bill-in and cashless wagering meters, if applicable, must be transmitted to the system. For slot machines approved after 2/1/04 equipped with meters described by Regulation 14 Technical Standards all applicable meter information is transmitted to the system.

Note the OSMS must be installed by May 22, 2005 but licensees have a six-month grace period (until November 22, 2005) to ensure that slot machines are properly communicating with the OSMS.

#123 - Does this standard apply to an on-line slot metering system that maintains its own coin in meter (e.g., delta system)? (12/19/03)

No, this standard applies only to on-line slot metering systems that read and record the value indicated on the slot machine meters (e.g., specific value system).

#138 - Does this standard apply to progressive payouts handled by an operator of an inter-casino linked system (e.g., Megabucks)? (12/19/03)

Generally no, unless otherwise required by license condition or associated equipment approval conditions.

#139 - Must slot machine fill cabinets and slot machine doors be separately keyed? (12/19/03)

Yes.

#139 - Must slot machine drop cabinets and slot machine currency acceptor release mechanisms be separately keyed? (12/19/03)

Yes.

#141 - Are two employees in total required to accompany these keys, or are three employees in total required to accompany these keys (two employees to accompany and one to maintain custody of the keys) while they are checked out? (5/9/05)

Two employees are required to accompany the slot machine coin drop cabinet keys while they are checked out. The employee(s) who is the key custodian cannot be the employee accompanying the slot machine drop cabinet keys while they are checked out. For example, if the coin drop cabinet keys are maintained by the main cage, employees of the main cage are considered to be the key custodian and could not accompany these keys when checked out.

#145 - When three count team members are performing the count process and one count team member leaves the count room temporarily, can a security officer perform as a soft count team member while the count team member is absent? (5/9/05)

Yes, the security officer utilized as a stand-in during the absence of a count team member is considered to be a count team member participating in the count. Since the security officer is considered a count team member, the intent of this MICS is met. As such, the security officer will need to sign documentation evidencing his involvement in the count process in compliance with Slots MICS #53. Additionally, the security officer is to be reported as a count team member pursuant to Regulation 6.130(1)(b).

#163 - What is the definition of “promotional account” and “promotion and external bonusing” systems? (12/19/03)

The “promotional account” and “promotion and external bonusing” systems are computerized systems that communicate with the slot machine. The computerized system will instruct the slot machine as to the amount of electronic cashable or electronic non-cashable credits to be placed on the credit meter of the slot machine.

#171, 172, 173, 175, 190(l), 190(m) and 194 – These MICS all pertain to contest/tournament entry fees. Are there different requirements for free tournaments vs. buy in tournaments? (5/9/05)

No, the Slots MICS apply to both free and buy-in tournaments with the exception there are no entry fees to account for in the free tournaments.

#178(a) - How is this audit procedure performed for points redeemed through an automated process at a kiosk issuing a voucher or outlet accepting points as payment for meals, gas, merchandise, cash, etc ? (5/9/05)

For kiosks or outlets, a clerk is not required to input the number of points to be redeemed for the issuance of a voucher for meals, gas, merchandise, cash, etc. This is an automated process, which acts on the input from the patron. Accordingly, points redeemed documentation is not prepared for accounting/audit personnel to foot and compare the totals to the system-generated totals, which means this audit procedure is not applicable. However, Slots MICS #178(b) is required to be performed for reviewing the computerized player tracking system reports for the points redeemed.

#184 - Since MICS #105 (Version 4) was deleted, what are the new required procedures to verify that the on-line slot metering system is transmitting, receiving, and recording data from the slot machines? (12/19/03)

Licensees with on-line slot metering systems will still be required to perform procedures to verify the on-line slot metering system is transmitting, receiving, and recording data from the slot machines. MICS #184 indicates the slot machine meters to review, the frequency of the review, the procedures to perform and the number of slot machines to review.

The on-line slot metering system is reviewed only for the meters that are transmitted, received, and recorded from the slot machine. Accordingly, if the system only has the capability to record the coin-in meter then MICS #184 procedures are applicable to only the coin-in meter.

A minimum sample of 3% of the slot machines connected to the on-line slot metering system is reviewed each month. During a two-year calendar period,

each slot machine connected to the on-line slot metering system will be reviewed at least once.

#184 - How do I verify the on-line slot metering system is transmitting, receiving, and recording data from the slot machines? (12/19/03)

An OSMS may read and record meter data in one of two ways. The system may either read and record the actual meter reading values from the slot machine, or the system has its own meter values in which the change is calculated since the prior reading and only the change is recorded (a delta system). Testing communications for a delta system requires that you take two meter readings. The first type of system mentioned above would only require that one meter reading be taken, ensuring that the meter value in the machine is the same value recorded in the system.

#184 - If machines are removed from the floor during the two year period that were not sample tested, must they be tested prior to removal? (12/19/03)

No. The intent of the standard is to ensure that the machines currently on the floor are properly communicating meter information.

#184 - What documentation is to be maintained for this procedure? (12/19/03)

A log documenting the information required by the MICS would be satisfactory.

#187(a) - Must you have a Technical Standard #3 OSMS in order to report accrual basis drop? (12/19/03)

No. If an approved on-line system has the ability to record bill-in, coin drop and voucher in meters, as applicable, on a daily basis, drop can be reported on an accrual basis.

#187(a) - When can wagering instruments be deducted from gross gaming revenue? (12/19/03)

On May 22, 2003 the Nevada Gaming Commission approved Regulation 6.110(11) that states "Payout receipts and wagering vouchers issued at a game or gaming device shall be deducted from gross revenue as jackpot payouts in the month the receipts or vouchers are issued by the game or gaming device." The accrual basis must be used for wagering instruments. Also note that any wagering instrument or payout receipt not redeemed within 60 days after printing must be added back to gross revenue.

#187(a) - Can the accrual be based upon a percentage of the next drop rather than by meters? (12/19/03)

No. Meters must be used. Estimating a percentage of the drop is not an acceptable method for recording accrual drop as required by this standard.

#195 and #196 pertaining to drawings – What information is required to be printed on the drawing tickets? (5/9/05)

The Slots MICS do not require specific information to be printed on the drawing ticket.

#199 - Does a different denomination need to be reviewed for each year? (12/19/03)

No, it does not matter which denomination is used for this recalculation. The objective is to ensure the system is accurately calculating the floor par.

#199 - Does the recalculation of the floor par for a sample denomination include inactive machines? (5/9/05)

Yes. The slot analysis report includes all slot machines performance (active and inactive) for the business year. The total coin-in amount used in calculating the floor par includes coin-in from the inactive slot machines. Floor pars are the sum of the theoretical hold percentages of all machines within a denomination weighted by coin-in contribution.

#201 - Can a variation be obtained for storing slot machine wagering instruments for less than the 90-day required retention period? (12/19/03)

No. Variations will not be granted at this time.

#202 - #206 - Must licensees comply with these standards if they choose not to pay mailed-in wagering instruments? (12/19/03)

No, these standards only apply if the licensee chooses to pay mailed-in wagering instruments.

#207 Note 4 - Does the Regulation 6.130(1)(a) count time filing need to indicate the exact percentage of machines to be dropped and counted? (5/9/05)

No. It does not even need to be stated in a percentage. The report could simply indicate that 1/7 of the slot machines on the floor will be dropped and counted. The objective of this note is to provide the Board with an approximate number of slot machines to be dropped and counted. This

information is important when drop and count observations are being scheduled by the Board.

#207 Note 5 - When one of the count team members takes a break, does this count member's break need to be recorded on the Regulation 6.130(1)(a) report submitted to the Board? (5/9/05)

No. The Regulation 6.130(1)(a) report only needs to disclose when the entire count team takes a routine break longer than 15 minutes (e.g., meal break, change of shift, or breaks by the entire count team to perform other functions). In other words, when the entire count process has ceased due to a scheduled routine break longer than 15 minutes, this should be indicated on the submitted report.

Table Games

In the prior MICS, "name credit system" was mentioned after the Notes following the heading of the MICS. Can a "name credit system" that allows for the issuance of credit without using a marker continue to be used for table games? (12/19/03)

*Yes, any form used to evidence the patron has been issued credit against an established credit limit is considered a marker in the table games MICS. This form must meet the requirements of Table Games MICS #5. However, Table Games MICS #5b (the requirement for a payment slip) is inapplicable when, upon issuance, the marker is transferred to the cage department immediately and the table games department does **not** accept payments on the marker. The written system of internal control will indicate the reason why MICS referring to marker payments are not applicable to the table games department.*

#15 - Do all parts of the marker, including marker stubs, need to be voided? (12/19/03)

No, the marker stubs do not need to indicate, "void". However, the original marker, issue slip and payment slip need the void designation written on them.

#15 & 16 - Does the reason for voiding cage markers need to be indicated on the marker? (5/9/05)

No. If the marker is voided, the reason can be documented on the marker or on a separate document. The documentation may be a log that includes information sufficient to identify the marker voided (i.e., marker number, patron name, etc.). A log can also be used for indicating the reason a marker

was voided later than thirty minutes after the issuance of the marker (MICS #16).

#20 - Can licensees still refer to instruments (markers) transferred to the cage as “Name Credits”? (12/19/03)

Yes. If patrons are not allowed to make a payment in the pit on an instrument, that instrument can be considered a name credit instrument.

#75 - If a pit clerk is not utilized to enter pit transactions into the computerized pit system, is it acceptable for the incoming pit supervisor to enter the table inventory amount into the system? (5/9/05)

Yes, however, a pit clerk is preferred. Additionally, the incoming pit supervisor is independent of the shift transactions involving the table inventory and he/she verifies the table inventory count amount being entered into the system.

#88 and Slots #37 - What is the minimum number of count team members for simultaneous counts? (5/9/05)

When a currency acceptor count and a table games count are performed simultaneously in the same room, a minimum of six employees (three for each count) are required.

#91 Note 1 - Can the currency counter test be completed by using a second separate currency counter even though “Note 1” indicates currency is manually counted and verified? (5/9/05)

Yes, a currency counter, separate from the currency counter being tested, can be used to initially count currency in determining the dollar amount. This procedure meets the intent of the MICS to ensure the accuracy of the currency counter with previously counted currency. This question and response also applies to Slots MICS #42 Note 1.

#93 - Can the currency counter be tested once if the currency counter is used for both the slots currency count and the table games currency count? (5/9/05)

Yes, only when the same count team members complete a count for one revenue center (e.g., slots) and then immediately completes a count for a second revenue center (e.g., table games). This question and response also applies to Slots MICS #41.

#120 During a break from the table games count (all count members leave the count room), can the count keys be secured in the count room until at least three count team members are present to resume the count? (5/9/05)

Yes, as long as procedures are in effect to ensure the count keys cannot be accessed by any other individual during the absence of the count team members and three count team members are present to access the count keys when the count resumes. This procedure would meet the objective of this MICS.

#148 - Can promotional activity (e.g., lucky bucks, match play coupons) be included in the table games statistical analysis report? (12/19/03)

Yes, promotional activity related to table games wagering activity and the game play procedures can be included but it must be separately disclosed on the table games statistical analysis report. Statistical drop recorded in the table games statistical analysis report would include two separate drop and win amounts. The first drop amount is the drop per Regulation 1.095 and the second drop amount is the drop per Regulation 1.095 plus promotional activity used for table games wagering purposes. The win amount would also need to be appropriately adjusted for the promotional activity relative to the drop amount. These drop amounts adjusted for promotional activity can be used when investigating statistical fluctuations by game type in compliance with MICS #150(c). The table games statistical report should indicate the actual hold percentage, which does not include promotional activity.

#148 - Are all promotions to be included in this report under a separate heading? (12/19/03)

Promotions that can be tracked, such as lucky bucks and match play coupons, can be disclosed in the statistical report under a separate heading. However, it may not be possible to track the play of a promotion such as an "Ace in the Hole" where no documentation is prepared tracking the use of promotional items.

#150 – As a result of rim credit being included in the statistical drop amount as of January 21, 2004, management is to investigate all statistical fluctuations from a base level which may not include rim credit in statistical drop. Prior to January 21, 2004 rim credit was not required to be included in statistical drop resulting in a base level that may not be comparable to the current period being investigated. How are statistical fluctuations, resulting from the new reporting of rim credit, to be investigated as required by this MICS? (5/9/05)

The investigation should include the recalculation of the hold percentage with the restatement of statistical drop by excluding rim credit activity. The

recalculated hold percentage would be compared to the base level, which does not include rim credit. The base level is defined as either the statistical win to statistical drop percentage for the most recent calendar or fiscal year, or a rolling average statistical win to statistical drop percentage for the immediately preceding 12 months. The restatement of statistical drop should be done for the next twelve months until the base level comprises an entire year, which includes rim credit in statistical drop.

#157b - Does this standard apply to unissued slips maintained in the cage, accounting department, etc.? (5/9/05)

No. This standard applies to manual fill/credit slips and manual marker credit slips issued (transaction has occurred) for the selected test date.

#160a-f – If soft count team members are employees of the “finance/accounting department”, can the soft count team members perform these accounting/audit procedures during the soft count process? (5/9/05)

No, soft count team members cannot properly perform these audit procedures during the soft count process. However, a soft count member can perform these procedures at a time other than during the soft count process.

Card Games

#27 - 32 - Must daily and weekly tournaments comply with the standards addressing contests/tournaments? (12/19/03)

Yes.

Computerized Keno

#33 – Does the daily keno recap information need to be maintained for each licensed keno game? (5/9/05)

Yes, the daily write, payouts, win and win-to-write hold percentage information for each keno game being operated is used to prepare a keno revenue summary.

#59(b) - What is meant by “all copies of losing keno tickets”? (12/19/03)

The duplicate copy of the player’s wager is recorded in the computerized keno system. Compliance with this MICS is achieved by retaining the system write report for all keno wagers (including losing keno tickets) for at least seven days.

#62 - Does this MICS apply to the Nevada Numbers game which is not completed within 14 days of the wager being placed? (5/9/05)

No, the Nevada Numbers game was approved prior to the effective date of this MICS (10/1/03). Therefore the multi-race ticket for the Nevada Numbers Game does not need to be completed within 14 days.

Bingo

#3 - May bingo paper cards be sold after the start of the session (i.e., after the first numbers of the first game have been called)? (12/19/03)

Yes.

#3 & 16 - May bingo paper cards sold during a session be used in a subsequent session if for some reason the patron was unable to play the session for which the paper was originally purchased? (12/19/03)

Yes. However, you must apply for and receive a MICS variation before doing so. Such applications must demonstrate how it will be confirmed that winning paper cards were sold during a previous session.

#4 – This standard requires a computerized bingo system to record all card sales (paper and electronic) on a restricted transaction log or computer storage media. How do I comply with this standard for paper card sales? (5/9/05)

This standard only applies to paper card sales in those cases where the licensee has a computerized point-of-sale system. If a licensee has no computerized point-of-sale system, no restricted transaction log or computer storage media is required. However, if a licensee does have a computerized point-of-sale system, the paper card sales must be entered into the system.

#7 - When a patron is unable to play their paper card or electronic bingo device, can card sales be voided after the start of the calling of the game for which the bingo card was sold? (5/9/05)

Yes, only for unusual circumstances, to allow the patron to finish bingo play for the session (e.g., coffee spilled on paper card, electronic bingo device is malfunctioning). If a void is absolutely necessary after the start of the calling of the game for which the bingo card was sold, an employee who sells bingo cards and a bingo supervisor should authorize the void and document the unusual circumstance to require the voiding of the sale. All documentation is forwarded to accounting/audit to perform a subsequent review of the void transaction for propriety.

When a void is performed for an electronic bingo device, the void process includes deactivating the bingo cards in the electronic bingo device prior to issuing the patron a new electronic bingo device with bingo cards.

Race and Sports Book

#38 - Can a MICS variation of this standard be granted when contest/tournament entry fees, prize payouts, participant's wagering selections, and contest/tournament results cannot be recorded in the computerized race and sports book system? (5/9/05)

*Yes. The Board approved a variation of Race and Sports MICS #38 on March 19, 2004. A letter dated March 19, 2004 was mailed to all race and sports books approving a temporary variation of this standard as long as compliance with specific conditions are met. This letter is available on the Board's website under the "Industry Notices" link. **The temporary variation is no longer in effect since upgrades to computerized race and sports book systems are available to allow for compliance with this MICS.***

#38 - The "Note" to this standard states that contests and tournaments that do not require an entry fee need not be computerized. If entry into a "free" contest or tournament requires a patron to place a nominal wager (e.g., \$5.00), must the contest or tournament be computerized? (5/9/05)

Yes, the contest or tournament must be computerized. In order for a contest or tournament to be considered "free" there must be absolutely no prerequisites involved.

#49 - Can licensees employ dual-rated employees (e.g., a person performs administrative functions for 2 days and only writes/cashiers on the other 3 days)? (12/19/03)

No. If an employee performs administrative functions at any time, he cannot write or cash tickets. However, a supervisor that does not have access to the administrative terminal and does not perform administrative functions can write tickets pursuant to compliance with the requirements of Race and Sports Book MICS #48. As the "Note" above Race and Sports Book MICS #46 indicates, the administrative functions include setting up events, changing event data, and inputting results at any time.

#61c - Does this standard require a licensed sports information service to be used as an independent source when performing the required accounting/audit procedure? (5/9/05)

No. NRS 463.160(1)(b) requires the licensure of an information service if that service will be providing information to a book in exchange for anything of value. Information services that had registered with the Board and then filed an application for licensure at the time of the statute's revision in 1997 were "grandfathered in" and were allowed to continue to act as an information service. The grandfathering provisions were in effect until the service was licensed, the service was denied a license, the service was sold, or the service withdrew the application for licensure. A book may only contract with an information service if the service is grandfathered in or if the service is licensed.

It is important to note that while race books must use race results provided by a licensed disseminator pursuant to Regulation 22.080(4), there is no current requirement for a sports book to use an information service. Some have interpreted Race & Sports MICS #61c to require the use of an information service. This is not true. Although the Board encourages sports books to obtain odds/lines and results of sporting events from reputable sources, at this point in time it is not mandatory that an information service be used. Also, NRS 463.01642 specifically exempts from the definition of information service, "a newspaper or magazine of general circulation or a television or radio service or broadcast if the primary purpose of the newspaper, magazine or television or radio service or broadcast is other than to aid the placing of wagers on events of any kind." By extension, information obtained from the Internet would be acceptable provided the website's primary purpose is other than to aid in the placing of wagers on events of any kind. Accordingly, it is acceptable for these sources to be used but, again, extreme caution should be used to ensure the information is accurate and the source is reputable.

An industry notice dated August 5, 2003 with regard to information services can be found on the Board's website under Gaming Links/Notices, Press Releases, etc./Industry Notices.

#63 & #64 - Do these MICS also apply to race and sports tournament/contest events? (5/9/05)

Yes.

#78 - This standard requires accounting/audit personnel to review the NGC-32 form to determine that all nonpari-mutuel race wagers have been properly reported. This review includes a single wager accepted involving more than one track. If the computerized system does not properly break out the single wager accepted involving more than one track apportioned on a pro rata basis to each track, does it need to be done manually? (5/9/05)

Yes. The computerized race and sports book system may not properly apportion a single wager involving more than track on a pro rata basis to each track. Accordingly, it may be necessary to perform the appropriate calculation to report the correct amount on the NGC-32.

Entertainment

#15 & 20 - How are these two standards different? (12/19/03)

The objective of MICS #15 is to determine what areas are subject to the tax and whether or not any revenue is reported at all. The objective of MICS #20 is to determine that the reported revenue is reported correctly.

Cage and Credit

What are the procedures for markers issued in race and sports, slots, keno and bingo? (12/19/03)

Note 3 at the beginning of the Cage and Credit section describes the standards that apply to markers issued in these areas.

#9 - Does this standard apply to pit marker payment slips transferred from the pit to the cage? (12/19/03)

No, this standard applies only to cage marker payment slips. Additionally, as indicated by Note 3 of the Cage and Credit MICS, this standard would also apply to the race and sports, slots, keno and bingo departments. The pit marker payment slip requirements are addressed in Table Games MICS #14. Cage and Credit MICS #22 – 26 apply to payments on pit markers transferred to the cage.

#11 & 12 - Does the reason for voiding cage markers need to be indicated on the marker? (12/19/03) (Updated 5/9/05)

No. If the marker is voided, the reason can be documented on the marker or on a separate document. The documentation may be a log that includes information sufficient to identify the marker voided (i.e., marker number, patron name, etc.). A log can also be used for indicating the reason a marker was voided later than thirty minutes after the issuance of the marker (MICS #12).

#16 - Does a “Western Union” check presented for payment at the cage fall under the category of a “cashier’s check”? (5/9/05)

Yes, a "Western Union" check or any other check issued by a money service business falls under the requirements of a cashier's check. Cashier's checks are issued by financial institutions. "Financial institutions" include money service businesses. The cashier would be required to examine and record at least one item of patron identification (#16a) and for cashier's checks in amounts over \$1,000 the cashier would need to make a reasonable effort to verify the authenticity of the check (#16d).

#41 & 69 - What denotes an increase and decrease to the cage inventory? (12/19/03)

This MICS relates to increases and decreases to the total cage inventory amount. When the total cage inventory amount is changed permanently possibly due to funds being transferred to a new accountability area (e.g., the slot department adds a new change booth and slot department booths/banks are a separate account in the general ledger) documentation is to be prepared. In this situation the cage inventory may be permanently decreased by \$50,000 to establish a new change booth.

#45 - 47 - Do these standards apply to non-negotiable chips given to the patron by the cage department for wagering purposes at the gaming tables? (12/19/03)

Yes, non-negotiable chips given to patrons are promotional payouts to encourage patrons to participate in gaming activity even though the chips have no monetary value outside of the gaming establishment. Patron's use of these chips can result in patron winnings that impact reported table games revenue on the NGC tax returns.

#57 - Can the audit procedures required by this standard ever be performed by an internal auditor? The "Note" with this standard states, "An individual other than the internal auditor performs the reviews." (5/9/05)

Yes, an internal auditor can perform these procedures in compliance with Cage and Credit MICS #57. At times an accounting/audit procedure required by the MICS is also a similar internal audit procedure required by Regulation 6.090(15). When internal audit performs similar audit procedures required by both Regulation 6.090(15) and the MICS, the individual(s) performing the MICS procedure cannot also perform the similar Regulation 6.090(15) procedure.

#59 - Must a count of the entire location be done simultaneously? (12/19/03)

Yes, the count must be completed for the entire location within the same day and cannot be accomplished with counts of various accountability areas spread over several days.

#59 – Does the count include the table games inventory? (5/9/05)

No

#61 - Define “active wagering instruments”. (5/9/05)

*Active wagering instruments are wagering instruments (paper or electronic) that are created by the licensee to be accepted by the slot machine and cashless wagering system for wagering purposes. This does **not** include the wagering instruments created by the slot machine as the result of a wagering credit cash out (see Slot MICS #165). This term is also used in Slots MICS #84.*

#63 - Explain the procedures to be performed when cage markers do not have an issue slip, only the original cage marker and cage payment slip are used. (5/9/05)

When an issue slip does not exist, the “payment slip” can be used in place of an “issue slip” to perform the required audit procedures. The “payment slip” will also contain the relevant information for the cage marker issuance.

#73 - This standard requires a current list is to be maintained indicating specific information for branch offices which includes the total dollar amount of cash deposits and payments on credit instruments handled during the previous fiscal year. If the dollar amount of cash deposits and payments on credit instruments during the previous fiscal is not yet available, what amounts are to be disclosed for the branch offices on this list? (5/9/05)

It is recommended this current list for the branch offices disclose the dollar amount of cash deposits and payments on credit instruments from records that are available from the previous year. If not available, the amounts indicated on this list would be year-to-date amounts since January 2004. As of January 21, 2004, the branch offices are required to maintain records to comply with Cage and Credit MICS #74, which includes the amount of deposits and payments on credit instruments. Accordingly, as of January 2005, this list will indicate the amount of deposits and payments on credit instruments during the previous business year of 2004.

#73 – Are there any guidelines that can be used to prepare the list required by Cage and Credit MICS #73? (5/1/06)

Yes. The Board mailed a Policy Memorandum to all Group I licensees on October 14, 2005. This memorandum provides guidance on MICS #73. It also requires licensees to annually submit the required list, as well as additional required information, to the Board's Audit Division. A copy of this policy memorandum can be obtained from the GCB website at <http://gaming.nv.gov>.

#73 – The October 14, 2005 Cage and Credit MICS 73 Policy Memorandum indicates that licensees without branch offices are not required to submit the list required by the memorandum. However, these licensees are required to notify the Audit Division that they have no branch offices, if their annual gross gaming revenue is \$10 million or more. If a group of licensees is affiliated through common ownership, can a single letter be filed on behalf of these licensees, or is it necessary that each licensee submit a separate letter? (5/1/06)

It is acceptable to submit one letter on behalf of all the licensees under common ownership.

#73 – The October 14, 2005 Cage and Credit MICS 73 Policy Memorandum requires licensees to report deposit, withdrawal and credit payment activity for independent agents operating physical branch offices and for independent agents not operating physical offices. Does this mean that licensees are required to track, document and report this information for all independent agents, including those agents who the licensee has not authorized to conduct deposit, withdrawal, or credit collection activity on the licensee's behalf? (5/1/06)

No. Licensees are only required to track, document and report this information for independent agents who are authorized by the licensee to accept, on the licensee's behalf, account deposits or payments on credit instruments.

#73 – With regards to independent agents not being authorized to conduct deposit, withdrawal, or credit collection activity on a licensee's behalf, can the licensee communicate this policy to an independent agent orally or must it be in writing? (5/1/06)

Licensees can communicate the policy either orally or in writing. However, unless there is written agreement, such as a contract, expressing otherwise, the assumption will be that the independent is acting on the licensee's behalf. Therefore, if a licensee intends to not allow its independent agents to act on its behalf, the licensee must specify

this in the written agreement. Additionally, written documentation must be maintained if the terms of the initial agreement, as it relates to whether the agent is acting on the licensee's behalf, changes.

#73 – The October 14, 2005 Cage and Credit MICS 73 Policy Memorandum requires licensees to report deposit, withdrawal and credit payment information for branch offices and independent agents. If the branch office or an independent agent does not take physical possession of funds, is it necessary for the licensee to report this activity on the MICS 73 submission? (5/1/06)

No. If neither the branch office nor an independent agent who is authorized to act on the licensee's behalf, take physical possession of currency or monetary equivalents, they are not responsible for the funds. Accordingly, they would not be required to record the transaction on an accountability form, and the licensee would not need to include the transaction on the MICS 73 submission.

For example, if a patron goes to a branch office or approaches an independent agent to make a credit payment and the branch office or independent agent merely instructs the patron to deposit the funds in the licensee's bank account at a nearby financial institution (i.e., neither the branch office nor independent agent take custody of the funds), this would not be reportable activity with regards to the MICS 73 submission.

~~#74 – Do independent agents need to maintain the documents required by this minimum internal control standard? (5/9/05)~~

~~Yes, any individual meeting the definition of "branch office" pursuant to Regulation 6A.010(2) and/or the definition of "independent agent" pursuant to Regulation 25.010(1) is required to maintain such documents. Superseded by the 10/14/05 policy memorandum addressed above and the related 5/1/06 clarification FAQs.~~

Information Technology

#4 – Can management personnel assign and control access to system functions for systems being utilized by the department they are managing? (5/9/05)

Yes.

#5a – When bingo is operated only one day of the week is it necessary to perform a daily backup of files on the days bingo is closed? (5/9/05)

No. As indicated in the “Note”, backup is only required when the data files have been updated. Accordingly, backup in this situation is performed one day a week when bingo is open.

#7b - Does the audit process have to be completed in the quarter in which the data was obtained? In other words, can we complete the audit process by the end of the following quarter? (5/9/05)

The personnel access listing is to be requested on a random date during each quarter. As a reminder, one of the conditions in the Information Technology (IT) MICS #9 variation approval is that the personnel access listings are only required to be retained for at least one day of each quarter. Accordingly, the personnel access listing to be reviewed should be a listing other than the one retained to comply with IT MICS #9 variation condition. The review of the randomly selected listing can be completed by the end of the following quarter, if necessary. The objective is to perform a review of the personnel access listing on a quarterly basis.

#7b & #9 - How can a copy of the variation approval for these MICS be obtained? (5/9/05)

A copy of the industry letter dated October 25, 2004 can be obtained from the GCB website at <http://gaming.nv.gov>. The letter is located under Gaming Links/Notices, Press Releases, Etc./Industry Notices.

#12 (e) - If management requires a change to a report that cannot be produced without a change to the software, is an associated equipment reporting form required? (12/19/03)

Yes. However, it is possible that not all changes will require a field trial. The associated equipment reporting form is submitted to the Board pursuant to the requirements of Regulation 14. MICS #12(e) is requiring that a copy of the associated equipment reporting form is maintained when a form is submitted to the Board.

#15 (d) & (e) - This standard requires the written system of internal control to address the personnel and physical procedures involved when a vendor must remotely access a cashless wagering system. Standard 3.150(17) of the “Technical Standards for Gaming Devices and On-Line Slot Systems” requires the end user to initiate any remote access to a cashless wagering system and shall only allow remote access by the system’s licensed manufacturer from that manufacturer’s place of business. Compliance with the MICS is required by January 21, 2004 but licensees need not install a cashless wagering system that complies with Technical Standard 3 until May 22, 2005. Can compliance with IT MICS #15 (d) & (e) be waived until May 22, 2005? (12/19/03)

No. As of January 21, 2004 the connect/disconnect process required to remotely access a cashless wagering system must physically involve licensee personnel.

#18 - Does this standard apply to keno floppy diskettes? (12/19/03)

No.

#18 - For keno, the floppy diskettes are permitted to be used as storage. Is it permissible to download the keno diskette information to our network drive on a daily basis at the same time we download the information to the Xpertx terminal to perform the audit, even though the network file is alterable? (5/9/05)

The network file can be used as the storage media. However, keno audit personnel are required to perform their audit procedures using the information from the restricted floppy disk prior to storing on the network file.

#19 - 22 - What is a “wagering instrument database”? (12/19/03)

Typically, wagering instruments are issued from the slot machine upon the patron cashing out wagering credits obtained from winnings or inserting currency into the bill validator. These MICS do not apply to wagering instruments that are created as a result of slot machine play. These MICS apply to licensees that create wagering instruments (including electronic credits) to distribute to patrons for play at slot machines. Active wagering instruments are also addressed at Slots MICS #84 and Cage and Credit MICS #61.

Currency Transaction Reporting

#7 - 9 - Should the CPAs/Internal Auditors continue to answer the questions in the Board’s compliance checklists as they relate to suspicious activities? (12/19/03)

Yes, however suspicious activity reporting is no longer addressed in Regulation 6A, it is required by federal Bank Secrecy Act regulations.

CPA MICS Compliance Checklists and Guidelines (Effective 1/21/04)

Guidelines – Page 6 of 11 (Licensee’s Election to Utilize Internal Audit to Substitute for CPA Work – Internal Audit Department Criteria Satisfied) – The CPA is to perform agreed-upon procedures to determine that the internal audit procedures performed for a past 12-month period (includes

two six-month periods) encompassing a portion or all of the most recent business year have been properly completed. What internal audit periods should be reviewed when internal audit has not completed the work for the second-half of the business year? (5/9/05)

It is recommended that the CPA select a business year's worth of internal audit work. However, if internal audit has not completely finished the workpapers for the second-half of the business year, the CPA can go further back as long as the reperformance procedures are not duplicated. For example, the CPA would select the second-half of the 2003 business year and the first-half of the 2004 business year to perform their agreed-upon procedures. The internal audit periods reviewed are to be indicated in the CPA's agreed-upon procedures report submitted to the Board.

Guidelines – Page 10 of 11 and top of Page 11 of 11 (Report Format) - The report must describe all instances of procedural noncompliance (regardless of materiality) with the MICS or approved variations, and all instances where the licensee's written system does not comply with Regulation 6.090(2)(a),(b), (c) and the MICS. Management responses are required for all noted instances of noncompliance found by the CPA. What is an acceptable management response for immaterial instances of noncompliance? (5/9/05)

The CPA's agreed-upon procedures report can include a separate section for immaterial instances of noncompliance similar to what is allowed in the Internal Audit Guidelines under the "Report Submission Requirements" section. By using this approach, a broad management response acknowledging the immaterial instances of noncompliance is acceptable.

Slots – CPA MICS Compliance Checklist - Currency Acceptor Drop and Count Observation #45 - This procedure requires the CPA to complete the CPA MICS Compliance Checklist for Slots Key Controls. This same procedure is also performed by internal audit. Can the CPA utilize the work of the internal auditor to substitute for this procedure required to be performed by the CPA? (5/9/05)

No. As a reminder, this same procedure is required for all drop and count observations performed (table games and slots). Similar to the drop and count observations, both the CPA and internal audit is required to perform the required procedures for the drops and counts which includes a review of the key controls.

Slots – CPA MICS Compliance Checklist - On-Line Slot Metering Systems - Explain when this checklist needs to be completed. Additionally provide

guidance in performing step #137 on the Slots – General Walk-Through Checklist relating to the on-line slot metering system. (5/9/05)

The following guidance is being provided regarding the aforementioned issues:

1. The On-Line Slot Metering System checklist does not need to be completed until the licensee has installed an “On-Line Slot Metering System” and/or cashless wagering system, if applicable, that has been approved by the Board pursuant to Regulation 14 Technical Standard 3. As of May 9, 2005 no system has been approved by the Information Technology Audit Group (ITAG), which meets Regulation 14 Technical Standard 3 requirements. However, review Regulation 6.045 to determine which licensees are required to install this type of system as of May 22, 2005. **Note: An industry letter dated January 13, 2005 was sent indicating affected licensees have been granted a one-year extension to install this system by May 22, 2006.**
2. The response to step #137 on the Slots – General Walk-Through Checklist should be “no” at this time since no system has been approved by the ITAG, which meets Regulation 14 Technical Standard 3 requirements.
3. Only a few steps on the “On-Line Slot Metering Systems” checklist are to be completed when the licensee has a Board-approved cashless wagering system which does not meet Regulation 14 Technical Standard 3. Currently there is not a cashless wagering system that functions as an “on-line slot metering system”, in other words, the cashless wagering system does not have the capability to obtain the meter information directly from the slot machine. Accordingly, only steps #12(b), #13(a) and #14 are to be performed on the “On-Line Slot Metering Systems” checklist in determining the licensee’s compliance with Slots MICS #131(b), #132(a) and #133 (see “Note 2” on page 2 of 8 of this checklist).

Slots – CPA MICS Compliance Checklist – General Walk-Through Procedure #49 - Explain the objective of this procedure. (5/9/05)

Slots MICS #103 is applicable when a Board-approved cashless wagering system is being operated by the licensee. The slot machine meters (e.g., voucher in meter) recording cashless wagering transactions must be properly functioning since certain Slots MICS require the comparison of the slot machine meter amount to the actual cashless wagering transactions being recorded in the slot accounting reports.

Internal Audit Compliance Checklists and Guidelines (Effective 7/1/04)

Internal Audit Guidelines (page 4 of 8 - #1 and #2) – Per NAC 368A.510(3)(b), “Submit to the Board within 120 days after the last day of the first 6 months of the business year of the licensee two copies of a report by the internal auditor summarizing all instances of noncompliance with the requirements for entertainment during the first 6 months of the business year of the licensee.”

However, the Internal Audit Guidelines only require walk-through and testing procedures for entertainment to be performed annually. Does this mean that internal audit must perform their entertainment review during the first six months of the year to comply with NAC 368A.510(3)(b)? (5/9/05)

No. NAC 368A.510(3)(a) states the following:

“Using any applicable guidelines, checklists and other criteria established by the Chairman, perform observations, examinations of documents and inquiries of employees to determine compliance with the requirements of entertainment.”

Internal audit guidelines are to be used in performing internal audit procedures for entertainment. Each semi-annual internal audit report needs to indicate whether or not entertainment procedures were performed for the six-month period to be in compliance with NAC 368A.510(3)(b). The report can state that internal audit procedures for entertainment were not performed. Internal audit procedures for entertainment are not required to be performed within the first six months of the licensee’s business year, but must be performed annually.

Internal Audit Guidelines (page 5 of 8) - When a licensee adds a new revenue department (e.g., card games) that has been in operation for more than three months of the licensee’s business year does internal audit need to perform the required procedures for the new revenue department? (5/9/05)

Yes, walkthroughs and testing procedures are required for any departments that have been in operation for more than three months of the licensee’s business year. This is the same policy as for new licensees that have been in operation for more than three months.

Entertainment – Walk-Through and Testing Procedures Checklist (Notes 1 and 2) - Where can the most recent information be obtained regarding the regulation being codified into the NAC? (5/9/05)

The regulation has been codified into the NAC. NAC 368A and other live entertainment tax information can be obtained from the GCB website at <http://gaming.nv.gov>. Once at the website, it is located on the Audit Division page under Gaming Links/LET Info.

Table Games – Testing Procedures #3 - This appears to be a new step, not covered on the prior checklist. Our master games summary does not split out the opening and closing table marker inventories separately...the marker inventory for each game is included in the total opener and closer figures reported for each game. The only way to identify the amount of markers included in the inventory is to examine the individual table inventory forms. Any ideas as to how this audit procedure can be completed? (5/9/05)

Yes, this is a new procedure for internal audit to perform for the verification of marker transactions. However, the prior table games testing procedures checklist did require the total table inventory be traced which did include the marker inventory. In this situation since the table's chips, tokens, markers and outstanding rim credit is lumped into one total when performing testing procedure #2 the marker inventory has been traced since it is included in the total table chip inventory. For audit procedure #3 indicate that this procedure was performed in conjunction with the performance of #2 since the marker inventory is included in the chip inventory total.

Branch Office – Scope (Page 1 of 7) - Provide examples of offices and independent agents requiring visits. (5/9/05) (Updated 5/1/06 – updates are in bold italics)

*For independent agents, first determine if the individual meets the definition of an independent agent pursuant to Regulation 25.010(1) and NRS 463.0164, **and has been authorized by the licensee to accept, on the licensee's behalf, account deposits or payments on credit instruments.** If the individual is an independent agent **and has received such authorization from the licensee**, then determine whether the independent agent either accepted more than \$500,000 (cash or non-cash) in deposits or collected, in total, more than \$500,000 (cash or non-cash) on credit instruments during the previous fiscal year, or more than \$500,000 in the fiscal year to date.*

A "branch office" is any person that has been delegated the authority by a nonrestricted licensee to conduct cash transactions (take physical possession of currency and/or monetary equivalents from a patron) on behalf of the nonrestricted licensee. It does not include any person who is not an affiliate of the nonrestricted licensee and who only has the authority to accept credit repayments. All branch offices are to be visited by internal

auditors. The frequency of visits to each branch office is dependent on the amount of deposits received or the amount of collections received on credit instruments at each branch office during the licensee's fiscal year as defined under "Scope".

*Example 1 - David Jones has a contract with XYZ Casino to provide services outside of Nevada to arrange complimentary transportation, food and lodging in which the combined retail price per person exceeds \$1,000 in a 7-day period for guests at the XYZ Casino. Accordingly, David Jones is an independent agent pursuant to NRS 463.0164(1) **and has either been authorized in the contract to accept on the licensee's behalf, account deposits and/or payments on credit instruments or the contract is silent to this fact.** During XYZ Casino's fiscal year David Jones **did not accept any customer deposits; however, he collected, on the licensee's behalf pursuant to the terms in his contract (or when the contract is silent to this fact),** \$700,000 on XYZ casino's credit instruments (physically took possession of currency and/or monetary equivalent from patrons). Internal audit would be required to visit David Jones at least every other year and review his procedures and records.*

*Example 2 - The same scenario as Example 1 with the exception that David Jones collected, **on the licensee's behalf,** only \$200,000 in payments on XYZ casino's credit instruments. In this situation internal audit is not required to visit this independent agent.*

Example 3 - The same scenario as Example 1 with the exception that David Jones did not collect any payments on credit instruments; however, he did accept, on the licensee's behalf, \$700,000 in customer deposits. In this situation, internal audit would be required to visit David Jones at least every other year and review his procedures and records.

Example 4 - The same scenario as Example 1 with the exception that the contract for David Jones specifically states that he has not been authorized by the licensee to accept, on the licensee's behalf, account deposits or payments on credit instruments. In this situation, internal audit is not required to visit this independent agent.

**Miscellaneous Regulations – Testing Procedures – Regulation 6.110(2)
Hopper Adjustments - If a licensee does not perform an annual hopper load test is internal audit required to perform the test based on steps a-c?
(5/9/05)**

If a licensee does not perform an annual hopper load test, internal audit is not required to perform this test. As indicated, cite a violation of

Regulation 6.110(2). Steps a-c are to be performed when the licensee performs the hopper load test regardless of whether or not an adjustment is made to slot drop for the difference between the initial hopper loads and the total amount in the hoppers. Internal audit is determining whether the slot hopper analysis was properly performed.